



# STATE SENATOR Lawrence Borst

## District 36



February 1, 2003

A week or so ago, the Indianapolis Star headlined the news of a discovery of an error in calculating the Homestead Credit for property relief of Indiana homeowners. The error was first made seventeen years ago and was not noticed until recently. The error was in favor of the homeowners, and over the years they had been granted an additional \$280 million of property tax relief.

The error occurred in the 1980's when the legislature made the fiscal decision not to give a 20% relief for debt service on school construction. There had been little new school construction throughout the state in the early 1970s. With the Bowen tax package and a 20% property tax relief for all real estate, enacted in 1973, school building construction became somewhat the thing to do around the state. The legislature decided to continue paying the tax relief for all new assessments but not for costs attributed to borrowing for school construction.

Somewhere in the translation, the Homestead Credit and Property Tax Replacement Credit property tax relief programs may have been mixed up, an error in the calculation was made, and the state issued too much money to the counties for the tax relief. At first, the loss to the state was small. With the Homestead Credit at 20% next year, the error will cost the state about \$100 million per year.

The governor needs to observe and follow the law. He must decide whether to begin the rightful calculation on January 1st of this year or to wait until next year. Beginning those calculations this year would add a \$100 million to the state reserves and would make it easier to balance the budget. Waiting until next year would provide additional property tax relief to homeowners. (Or there could be a combination. Or the legislature could change the law and make the error legal.)

He will have to follow the law. I would hope that some sort of compromise is made. There is absolutely no thought of asking the taxpayers to remit the amount of extra benefits they received.

Much to my surprise, many in Indiana have forgotten that the Indiana General Assembly did have a special session in 2002. I think that some did not know the legislators were in Indianapolis until almost July.

The special session of last year produced the most significant changes in the Indiana tax structure than has ever been done before. It was truly landmark legislation.

The corporate tax structure in Indiana is now the most favorable of all states in the Midwest and even the United States. Indiana can now compete for jobs with anyone in the country. The governor should be ashamed of

himself if he is not calling businesses and telling them about the Indiana advantage. He is spending his time promoting an economic development package called "Energize Indiana." The trouble is, a good portion of the new money goes to balance next year's budget, and he is promoting the idea of using a huge portion of the tobacco settlement money to pay for the program. His new program would not create new jobs in Indiana for five to seven years.

There is no longer a corporate gross receipts tax in Indiana. There will be no inventory tax in Indiana after four years. Morgan County has already opted out and their residents will not be assessed for inventory in 2003 and therefore will not be taxed. The research and development tax credit in Indiana was doubled benefitting Lilly, GM and anyone doing research. Following assessment, homeowners will have their assessments reduced by \$35,000. The 20% state paid property tax relief payments will be made. Then the 20% Homeowners Credit will be applied to further reduce the tax liability. I think that the effects of the current re-assessment will be mitigated, and some taxpayers will see their property taxes reduced. At least the tax bills will not be increased by 23%, as projected. Fewer of our less affluent taxpayers will pay the individual gross tax.

All in all, the product of the special session was good for Indiana. The effects could be immediate, although the wisdom of the actions will not be determined for ten years.

The one cent increase in the sales tax will go 100% toward property tax relief on real estate. The corporate adjusted tax was increased to cover the corporate benefits. The 40-cent per pack cigarette tax increase and the increase of the tax on river boat gaming profits are monies that will be deposited in the state's general fund.

- The Speaker of the House has suggested that the 2002 program be delayed for one year and use the new sales tax monies to pay for new state programs. He has also suggested that the re-assessment program be delayed for another year. Either of these actions would give the Speaker and the Governor about \$1 billion more to spend. I hope that neither is delayed.

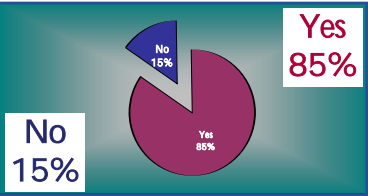
- Senator David Ford has introduced a bill that would make it a felony to use the Internet to gamble.

- A bill written by Senator Bud Meeks makes air-bag tampering a Class A misdemeanor, punishable by up to a year in jail. The offense would jump to a Class C felony if someone is injured in an accident involving a defective air-bag. The National Highway Traffic Safety Administration has said air-bag tampering, which can be installing a defective airbag or one that does not meet federal requirements, is a growing problem.

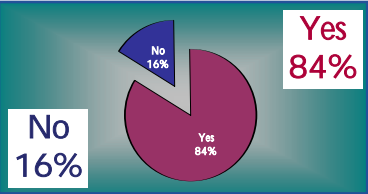
# State Senator Larry Borst

## 2003 Legislative Session Survey Results

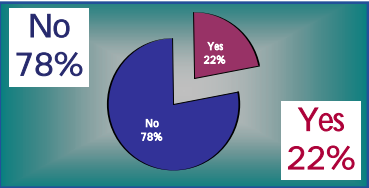
1. ISTEP+ is administered to all Indiana students in grades 3, 6, 8, and 10 each year in mid-September. Do you favor moving ISTEP+ to the spring?



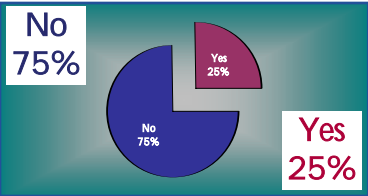
2. The current high school graduation examination tests a student's mastery of 9th grade subject matter. Do you favor continuing to require students to achieve a minimum score on the exam to receive a high school diploma?



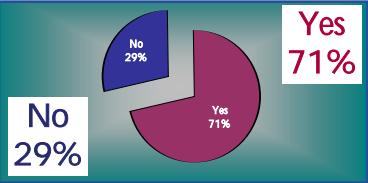
3. Do you favor legalizing electronic gambling devices commonly found in bars?



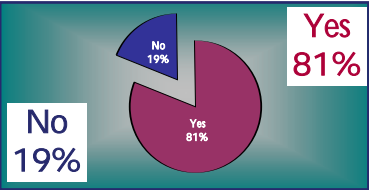
4. Should the state allow horse racing tracks and off-track betting parlors to install "pull tab," or slot machine-like, gambling machines?



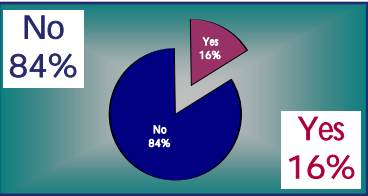
5. Do you support the citizens' right to carry concealed firearms as long as proper permits are obtained?



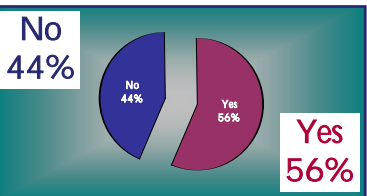
6. Should Indiana restrict human cloning experiments?



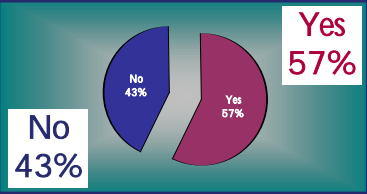
7. Should Indiana recognize civil unions between same-sex couples?



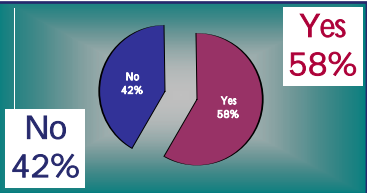
8. Do you support day-light-saving time throughout Indiana?



9. Should the state allow local communities to install cameras near highway and street intersections to photograph vehicles running red lights?



10. Should the rural interstate speed limit be raised from 65 miles per hour to 70 mph?



First Class  
U.S. Postage  
PAID  
Indianapolis, IN  
Permit No. 7767

Senator Lawrence Borst  
Senate, State of Indiana  
200 W. Washington Street  
Indianapolis, IN 46204-2785



